

**CRITTENDEN COUNTY
BOARD OF EDUCATION**

FINANCIAL REPORT

June 30, 2003

E DENNIS DRIVER

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee For School District Audits
Members of the Board of Education
Crittenden County Board of Education
Marion, Kentucky

I have audited the accompanying basic financial statements of the Crittenden County Board of Education as of and for the year ended June 30, 2003, as listed in the table of contents. These basic statements are the responsibility of the Crittenden County Board of Education's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note B to the basic financial statements, the Board adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2002. This results in a change in the format and content of the basic financial statements.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Crittenden County Board of Education as of June 30, 2003, and the results of its operations and the cash flows of its business-type activities for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued reports dated October 15, 2003, on my consideration of Crittenden County Board of Education's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and additional information shown on pages 43 through 44 is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Kentucky State Committee For School District Audits
Members of the Board of Education
October 15, 2003
Page 2

The Management's Discussion and Analysis presented on pages 5 through 9 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

This report is intended solely for the information of management, others within the organization, the Kentucky Department of Education and federal awarding agencies and pass-through entities and should not be used by anyone other than these specified parties.

October 15, 2003
Paducah, Kentucky

**CRITTENDEN COUNTY PUBLIC SCHOOL DISTRICT – MARION, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2003**

As management of the Crittenden County School District, we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

MISSION:

The staff of Crittenden County School District pledges to provide resources and support to eliminate learning barriers in order to promote the highest possible academic achievement for all students.

BELIEF STATEMENTS:

1. The Crittenden County School District will provide an environment in which everyone feels safe, challenged, and inspired to succeed.
2. Instruction will be student focused with active learning experiences, which challenge students, teachers, and community to meet or exceed academic expectations.
3. An exemplary teacher shall be knowledgeable of both subject matter and teaching/learning styles. Each teacher will deliver energetic, entertaining, student-focused instruction utilizing the latest technology and educational research. Teachers should be consistent and conscientious of their students’ well being by being a mentor who is community oriented.
 - a. Distinguished teaching styles
 - b. Technology driven
 - c. Active Learning
 - d. Safe and aesthetic Learning Environment
 - e. Engaged and inspired learners and educators
 - f. Student focused
 - g. Involved community
 - h. Positive attitude, moral and inquisitive learners
4. An exemplary school maintains community involvement by providing a variety of opportunities to form lasting partnerships that will enhance positive attitudes and values toward education.
5. The Crittenden County School District provides opportunities for students to become life-long learners. The skills are developed through enriched activities that stimulate intellectual curiosity and afford opportunities to model successful independent learning.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$1.37 million.
- The board pioneered an attendance incentive, which saved the district approximately \$50 thousand in substitute costs from the previous year.
- Approximately \$35 thousand was invested in modernizing custodial equipment and \$15 thousand for cafeteria tables at the elementary school.
- The District also purchased 3.14 acres for a soccer field for \$2 thousand.
- The District invested \$32 thousand in high school textbooks.
- The board initiated no new major construction projects in fiscal 2003, but did purchase and refurbish a facility for a school nurse, Family Resource Center, and other community related projects for a cost of \$59 thousand.

**CRITTENDEN COUNTY PUBLIC SCHOOL DISTRICT – MARION, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2003**

- Due to the decline of interest rates, interest income fell \$42.5 thousand; that is a 51.4 percent decrease.
- The General Fund had \$6.28 million in revenue, which primarily consisted of the state program (SEEK), property, local occupational license taxes, utilities, and motor vehicle taxes. There were \$6.45 million in General Fund expenditures. This resulted in spending \$170 thousand dollars more than was receipted, reducing the District’s reserves. The District also has recorded a \$92 thousand dollar general fund payable for the construction fund culminating in \$260 thousand of expenses and payables over revenues for the year ended June 30th.
- During fiscal 2003, the district suffered a mid year SEEK (Supporting Educational Excellence in Kentucky) cut of \$120 thousand.
- Bonds are issued as the district renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The district’s total debt decreased by \$577 thousand during the current fiscal year.
- The district refinanced 1992 & 1993 bond issues, which resulted in a long-term savings of \$29 thousand.
- State law requires districts to update a priority list of construction and renovation needs, called a local facilities plan, every four years. The document guides the allocation of School Facilities Construction Commission dollars. The facilities committee is currently reviewing our future needs. The district expended \$4 thousand for architect services and facility survey.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our childcare and food service operations. All other activities of the district are included in the governmental funds.

**CRITTENDEN COUNTY PUBLIC SCHOOL DISTRICT – MARION, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2003**

The basic governmental fund financial statements can be found on pages 12 through 20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 34 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$4.45 million as of June 30, 2003.

The largest portion of the District’s net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District’s financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Assets for the period ending June 30, 2003

The current year’s financial statements are dramatically different from past years as a result of implementing GASB 34. Attempting to compare this year’s data with last year would be misleading to the reader however the district looks forward to offering comparative data in the future.

Current Assets	\$ 2,325,958
Noncurrent Assets, net of accumulated depreciation	<u>12,230,127</u>
Total Assets	<u>\$ 14,556,085</u>
Current Liabilities	\$ 1,486,576
Noncurrent Liabilities	<u>8,694,638</u>
Total Liabilities	<u>\$ 10,181,214</u>
Net Assets	
Investment in capital assets, net of debt	\$ 3,306,615
Restricted	262,656
Unreserved fund balance	<u>805,600</u>
Total Net Assets	<u>\$ 4,374,871</u>

The following are significant current year transaction that have had an impact on the Statement of Net Assets.

The district implemented GASB 34 and recorded fixed assets and debt for the first time.

Comments on Budget Comparisons

- The District’s total revenues for the fiscal year ended June 30, 2003, net of Interfund transfers, were \$6.28 million.

**CRITTENDEN COUNTY PUBLIC SCHOOL DISTRICT – MARION, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2003**

- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$240 thousand more than budget.
- The total cost of all programs and services was \$11.4 million net of debt service.

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2003.

Revenues:

Local revenue sources	\$ 1,628,418
State revenue sources	5,472,678
Federal revenue	929,204
Other Sources	<u>142,932</u>
Total Revenues	8,173,232

Expenses:

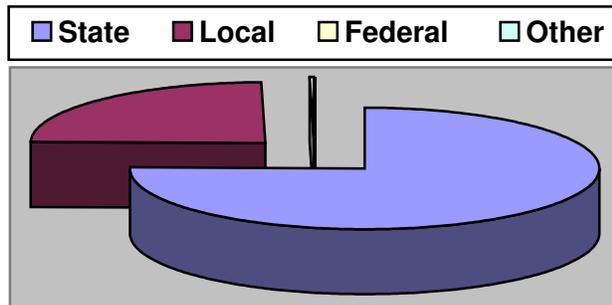
Instruction	4,602,610
Student Support Services	398,422
Instructional Staff Support	307,019
District Administration	391,389
School Administration	480,595
Business Support	126,122
Plant Operations	709,647
Student Transportation	537,772
Food Service Operations	
New Building Construction	3,139,551
Site Improvement	
Central Office Support	75,952
Community Activities	94,500
Debt Service	<u>576,774</u>
Total Expenses	<u>11,440,353</u>

Expenses in Excess of Revenue \$ (3,267,121) *

* The board encountered a timing difference with bond proceeds being received in a prior fiscal year and then \$2.53 million of new construction being expended in the current fiscal year.

General Fund Revenue Chart 1.

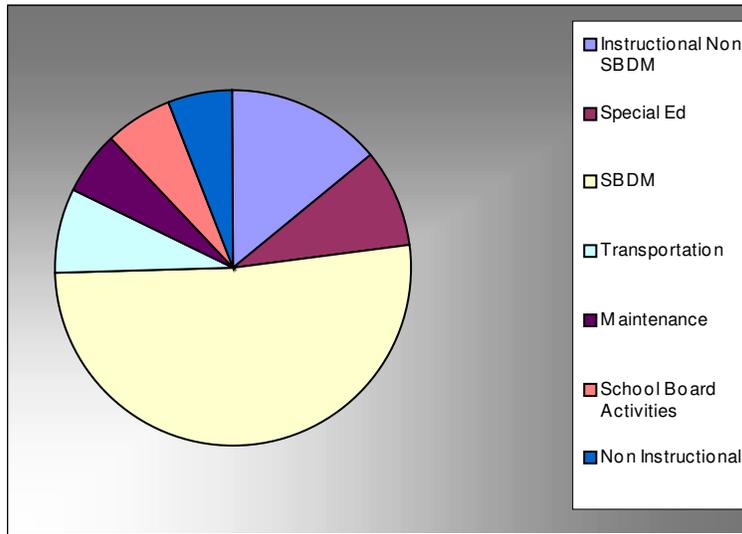
The majority of revenue was derived from state funding 75% with local taxes making up 24.5% of total revenue. Federal and other revenue contributed 0.5% of total revenue.



**CRITTENDEN COUNTY PUBLIC SCHOOL DISTRICT – MARION, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2003**

Budget Allocation Chart 2.

Site Based Decision Making Councils expended 51% of the general fund budget. The Board authorized an additional 11% of the general fund for Board paid costs at the school level to support the SBDM, for a total of 62% of the general fund expenditures. Special education (serving children with special needs) comprised 9% of the general fund and \$343 thousand dollars of that was spent at the school specific level, which is 5% of the total general fund. Transportation and maintenance costs accounted for 8% and 6% of the general fund respectively.



BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district complied with this requirement.

The District felt the repercussions of the declining national economy in \$207 thousand reduction or elimination of federal and state grants.

Questions regarding this report should be directed to the Superintendent (270) 965-2281 or to Brent Highfil, Chief Financial Officer (270) 965-2281 or by mail at PO Box 362, Marion, KY 42064.

CRITTENDEN COUNTY BOARD OF EDUCATION

STATEMENT OF NET ASSETS
June 30, 2003

ASSETS	Governmental Activities	Business-Type Activities	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,961,238	\$ 204,731	\$ 2,165,969
Inventory	-	15,736	15,736
Accounts receivable			
Taxes - current	-	-	-
Taxes - delinquent	-	-	-
Accounts receivable	-	-	-
Intergovernmental - State	-	-	-
Intergovernmental - Indirect Federal	144,253	-	144,253
Due from other funds	-	-	-
	<u>2,105,491</u>	<u>220,467</u>	<u>2,325,958</u>
TOTAL CURRENT ASSETS	<u>2,105,491</u>	<u>220,467</u>	<u>2,325,958</u>
NONCURRENT ASSETS			
Capital assets	18,015,491	143,679	18,159,170
Less accumulated depreciation, computed by the straight-line method	(5,803,712)	(137,186)	(5,940,898)
Bond issue costs, net of amortization	11,855	-	11,855
	<u>12,223,634</u>	<u>6,493</u>	<u>12,230,127</u>
TOTAL NONCURRENT ASSETS	<u>12,223,634</u>	<u>6,493</u>	<u>12,230,127</u>
TOTAL ASSETS	<u>\$ 14,329,125</u>	<u>\$ 226,960</u>	<u>\$ 14,556,085</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 613,463	\$ -	\$ 613,463
Deferred revenue	145,837	-	145,837
Current portion of bond obligations	505,000	-	505,000
Current portion of capital lease obligations	16,252	-	16,252
Current portion of accrued sick leave	130,386	-	130,386
Interest payable	75,638	-	75,638
Due to other funds	-	-	-
	<u>1,486,576</u>	<u>-</u>	<u>1,486,576</u>
TOTAL CURRENT LIABILITIES	<u>1,486,576</u>	<u>-</u>	<u>1,486,576</u>
NONCURRENT LIABILITIES			
Noncurrent portion of bond obligations	8,265,000	-	8,265,000
Noncurrent portion of capital lease obligations	125,405	-	125,405
Noncurrent portion of accrued sick leave	304,233	-	304,233
	<u>8,694,638</u>	<u>-</u>	<u>8,694,638</u>
TOTAL NONCURRENT LIABILITIES	<u>8,694,638</u>	<u>-</u>	<u>8,694,638</u>
TOTAL LIABILITIES	<u>10,181,214</u>	<u>-</u>	<u>10,181,214</u>
Net Assets			
Invested in capital assets, net of related debt	3,300,122	6,493	3,306,615
Restricted for:			
Capital projects	-	-	-
Debt service	9,814	-	9,814
Other purposes (nonexpendable)	252,842	-	252,842
Unrestricted	585,133	220,467	805,600
	<u>4,147,911</u>	<u>226,960</u>	<u>4,374,871</u>
TOTAL NET ASSETS	<u>\$ 14,329,125</u>	<u>\$ 226,960</u>	<u>\$ 14,556,085</u>

The Notes to Financial Statements are an integral part of this statement.

CRITTENDEN COUNTY BOARD OF EDUCATION

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2003

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS AND RESOURCES					
Cash and cash equivalents	\$ 1,438,035	\$ 1,584	\$ 521,619	\$ -	\$ 1,961,238
Inventory	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Taxes - current	-	-	-	-	-
Taxes - delinquent	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Intergovernmental - State	-	-	-	-	-
Intergovernmental - Indirect Federal	-	144,253	-	-	144,253
Prepaid Expenses	-	-	-	-	-
Due from other funds	-	-	91,844	-	91,844
Interest receivable	-	-	-	-	-
Investments	-	-	-	-	-
TOTAL ASSETS AND RESOURCES	<u>\$ 1,438,035</u>	<u>\$ 145,837</u>	<u>\$ 613,463</u>	<u>\$ -</u>	<u>\$ 2,197,335</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 613,463	\$ -	\$ 613,463
Accrued payroll and related expenses	-	-	-	-	-
Current portion of accrued sick leave	-	-	-	-	-
Deferred revenue	-	145,837	-	-	145,837
Due to other funds	91,844	-	-	-	91,844
TOTAL LIABILITIES	<u>\$ 91,844</u>	<u>\$ 145,837</u>	<u>\$ 613,463</u>	<u>\$ -</u>	<u>\$ 851,144</u>
FUND BALANCES					
Reserved for:					
Inventory and fixed assets	-	-	-	-	-
Site-based carryover	35,533	-	-	-	35,533
Accrued sick leave	217,309	-	-	-	217,309
Medicare reimbursement	-	-	-	-	-
Unreserved:					
General fund	1,083,535	-	-	-	1,083,535
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Debt service funds	9,814	-	-	-	9,814
TOTAL FUND BALANCES	<u>1,346,191</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,346,191</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,438,035</u>	<u>\$ 145,837</u>	<u>\$ 613,463</u>	<u>\$ -</u>	<u>\$ 2,197,335</u>

The Notes to Financial Statements are an integral part of this statement.

CRITTENDEN COUNTY BOARD OF EDUCATION

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET WITH THE DISTRICT-WIDE STATEMENT OF NET ASSETS June 30, 2003

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF
NET ASSETS ARE DIFFERENT BECAUSE:

Total governmental fund balance			\$ 1,346,191
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.			
Cost of capital assets	18,015,491		
Accumulated depreciation	(5,803,712)		
Bond issue costs, net of amortization	<u>11,855</u>	12,223,634	
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities, at year end, consist of:			
Bonds payable	(8,770,000)		
Accrued interest on bonds	(75,638)		
Capital leases payable	(141,657)		
Accrued sick leave	<u>(434,619)</u>	<u>(9,421,914)</u>	
TOTAL NET ASSETS, DISTRICT-WIDE			<u>\$ 4,147,911</u>

CRITTENDEN COUNTY BOARD OF EDUCATION

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended June 30, 2003

	General Fund	Special Revenue (Grant Funds)	Construction Fund	Other Governmental Funds	Total Government Funds
REVENUES					
From local sources					
Taxes					
property	\$ 908,036	\$ -	\$ -	\$ 160,125	\$ 1,068,161
motor vehicle	218,601	-	-	-	218,601
utility	326,320	-	-	-	326,320
omitted, penalties and interest	15,336	-	-	-	15,336
Tuition and fees	-	4,021	-	-	4,021
Earnings on investments	40,161	1,872	55,740	-	97,773
Contributions	-	3,124	-	-	3,124
Other local revenues	32,105	-	-	-	32,105
Intergovernmental - intermediate	-	-	-	-	-
Intergovernmental - state	4,726,794	449,064	-	296,820	5,472,678
Intergovernmental - indirect federal	-	918,538	-	-	918,538
Intergovernmental - direct federal	10,666	-	-	-	10,666
TOTAL REVENUES	<u>6,278,019</u>	<u>1,376,619</u>	<u>55,740</u>	<u>456,945</u>	<u>8,167,323</u>
EXPENDITURES					
Current					
Instruction	3,600,532	1,002,078	-	-	4,602,610
Support services					
Student	332,233	66,189	-	-	398,422
Instructional staff	195,103	111,916	-	-	307,019
District administrative	391,389	-	-	-	391,389
School administrative	466,998	13,597	-	-	480,595
Business	126,122	-	-	-	126,122
Plant operation and maintenance	709,647	-	-	-	709,647
Student transportation	495,793	41,979	-	-	537,772
Central office	-	75,952	-	-	75,952
Facilities acquisition/site improvements	79	-	3,139,472	-	3,139,551
Community service activities	-	94,500	-	-	94,500
Student activities	-	-	-	-	-
Education specific	-	-	-	-	-
Other, debt service	-	-	-	576,774	576,774
	<u>6,317,896</u>	<u>1,406,211</u>	<u>3,139,472</u>	<u>576,774</u>	<u>11,440,353</u>
Excess of revenues over (under) expenditures	(39,877)	(29,592)	(3,083,732)	(119,829)	(3,273,030)
Other Financing Sources (Uses)					
Bond proceeds	-	-	-	-	-
Proceeds from sale of fixed assets	5,909	-	-	-	5,909
Operating transfers in	4,168	29,592	92,519	580,942	707,221
Operating transfers out	<u>(226,354)</u>	<u>-</u>	<u>-</u>	<u>(480,867)</u>	<u>(707,221)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(216,277)</u>	<u>29,592</u>	<u>92,519</u>	<u>100,075</u>	<u>5,909</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing sources	(256,154)	-	(2,991,213)	(19,754)	(3,267,121)
FUND BALANCES, July 1, 2002	1,602,345	-	2,991,213	19,754	4,613,312
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, June 30, 2003	<u>\$ 1,346,191</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,346,191</u>

The Notes to Financial Statements are an integral part of this statement.

CRITTENDEN COUNTY BOARD OF EDUCATION

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET WITH THE DISTRICT-WIDE STATEMENT OF NET ASSETS June 30, 2003

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Amounts reported for governmental activities in the statement of net assets are different because:

Net change in total fund balances per fund financial statements	(3,267,121)
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Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation for the year.

Capital outlays	3,308,759	
Depreciation expense	<u>(505,035)</u>	2,803,724

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements but are reductions of liabilities in the statement of net assets

Bond payments	268,461	
Capital lease payments	<u>37,643</u>	306,104

In the statement of activities, certain operating expenses such as compensated absences are measured by the amounts earned or accrued during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This year, the differences between the amounts accrued and the financial resources used are:

Interest expense	(14,112)	
Amortization	(583)	
Sick leave	<u>(198,168)</u>	(212,863)

In the statement of activities, certain revenues are recognized when earned. In the governmental funds, revenues are recognized when financial resources are provided. This year, revenue earned exceeded financial resources by:

SFCC debt service contributions	<u>216,538</u>
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Change in net assets of governmental activities	<u>\$ (153,618)</u>
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CRITTENDEN COUNTY BOARD OF EDUCATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2003

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
From local sources				
Taxes, property	\$ 800,000	\$ 815,000	\$ 908,036	\$ 93,036
motor vehicles	180,000	180,000	218,601	38,601
utility	282,887	274,055	326,320	52,265
omitted, penalties and interest	-	-	15,336	15,336
Earnings on investments	55,000	40,000	40,161	161
Other	-	23,768	32,105	8,337
Intergovernmental, state	4,702,202	4,702,936	4,726,794	23,858
Intergovernmental, federal	7,266	7,263	10,666	3,403
Sale of assets	543	543	5,909	5,366
TOTAL REVENUES	6,027,898	6,043,565	6,283,928	240,363
EXPENDITURES				
Current				
Instruction	3,795,848	3,806,746	3,600,532	206,214
Support services				
Student	453,915	348,058	332,233	15,825
Instructional staff	199,324	199,864	195,103	4,761
District administration	948,794	1,041,014	391,389	649,625
School administration	502,048	488,739	466,998	21,741
Business services	147,637	142,137	126,122	16,015
Plant operation and maintenance	774,069	794,199	709,647	84,552
Student transportation	535,668	557,126	495,793	61,333
Site improvement	-	80	79	1
Education Specific	-	27	-	27
	<u>7,357,303</u>	<u>7,377,990</u>	<u>6,317,896</u>	<u>1,060,094</u>
Excess of revenues over (under) expenditures	(1,329,405)	(1,334,425)	(33,968)	1,300,457
Other Financing Sources (Uses)				
Bond proceeds	-	-	-	-
Operating transfers in	-	-	4,168	4,168
Operating transfers out	(136,440)	(134,510)	(226,354)	(91,844)
	<u>(136,440)</u>	<u>(134,510)</u>	<u>(222,186)</u>	<u>(87,676)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing sources	(1,465,845)	(1,468,935)	(256,154)	1,212,781
FUND BALANCE, July 1, 2002	<u>1,465,845</u>	<u>1,468,935</u>	<u>1,602,345</u>	<u>133,410</u>
FUND BALANCE, June 30, 2003	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,346,191</u>	<u>\$ 1,346,191</u>

The Notes to Financial Statements are an integral part of this statement.

CRITTENDEN COUNTY BOARD OF EDUCATION

COMBINED STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2003

	Food Service Fund	FYRSC Day Care	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 195,203	\$ 9,528	\$ 204,731
Inventory	<u>15,736</u>	<u>-</u>	<u>15,736</u>
TOTAL CURRENT ASSETS	<u>210,939</u>	<u>9,528</u>	<u>220,467</u>
NONCURRENT ASSETS			
Furniture and equipment	143,679	-	143,679
Less accumulated depreciation, computed by the straight-line method	<u>(137,186)</u>	<u>-</u>	<u>(137,186)</u>
TOTAL NONCURRENT ASSETS	<u>6,493</u>	<u>-</u>	<u>6,493</u>
TOTAL ASSETS	<u>\$ 217,432</u>	<u>\$ 9,528</u>	<u>\$ 226,960</u>
NET ASSETS			
Invested in capital assets, net of related debt	6,493	-	6,493
Unrestricted	<u>210,939</u>	<u>9,528</u>	<u>220,467</u>
	<u>217,432</u>	<u>9,528</u>	<u>226,960</u>
TOTAL NET ASSETS	<u>\$ 217,432</u>	<u>\$ 9,528</u>	<u>\$ 226,960</u>

The Notes to Financial Statements are an integral part of this statement.

CRITTENDEN COUNTY BOARD OF EDUCATION

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUNDS Year Ended June 30, 2003

	<u>Food Service Fund</u>	<u>FYRSC Day Care</u>	<u>Total</u>
OPERATING REVENUES			
Lunchroom sales	\$ 232,218	\$ -	\$ 232,218
Other operating revenues	<u>7,210</u>	<u>22,393</u>	<u>29,603</u>
Total operating revenues	239,428	22,393	261,821
OPERATING EXPENSES			
Salaries and Wages	199,324	12,306	211,630
Employee benefits	26,497	1,444	27,941
Purchased professional and technical services	2,660	247	2,907
Purchased property services	18,739	-	18,739
Other purchased services	3,235	-	3,235
Materials and supplies	270,988	6,697	277,685
Depreciation	1,662	-	1,662
Other operating expenses	<u>6,147</u>	<u>215</u>	<u>6,362</u>
Total operating expenses	529,252	20,909	550,161
OPERATING INCOME (LOSS)	(289,824)	1,484	(288,340)
NON-OPERATING REVENUES			
Federal grants	246,127	-	246,127
Donated commodities	35,038	-	35,038
State grants	8,341	-	8,341
Interest income	<u>4,028</u>	<u>-</u>	<u>4,028</u>
Total non-operating revenues	293,534	-	293,534
NET INCOME	3,710	1,484	5,194
RETAINED EARNINGS, July 1, 2002	222,886	8,044	230,930
Prior Period Adjustment	<u>(9,164)</u>	<u>-</u>	<u>(9,164)</u>
RETAINED EARNINGS, June 30, 2003	<u>\$ 217,432</u>	<u>\$ 9,528</u>	<u>\$ 226,960</u>

The Notes to Financial Statements are an integral part of this statement.

CRITTENDEN COUNTY BOARD OF EDUCATION

COMBINED STATEMENT OF CASH FLOWS PROPRIETARY FUNDS Year Ended June 30, 2003

	<u>Food Service Fund</u>	<u>FYRSC Day Care</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from:			
Lunchroom sales	\$ 232,218	\$ -	\$ 232,218
Government grants	289,506	-	289,506
Other activities	7,210	22,393	29,603
Cash paid to/for:			
Employees	(225,821)	(13,750)	(239,571)
Supplies	(273,702)	(6,697)	(280,399)
Other activities	<u>(30,781)</u>	<u>(462)</u>	<u>(31,243)</u>
Net cash provided by operating activities	(1,370)	1,484	114
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	<u>4,028</u>	<u>-</u>	<u>4,028</u>
Net increase in cash and cash equivalents	2,658	1,484	4,142
CASH AND CASH EQUIVALENTS, July 1, 2002	<u>192,545</u>	<u>8,044</u>	<u>200,589</u>
CASH AND CASH EQUIVALENTS, June 30, 2003	<u>\$ 195,203</u>	<u>\$ 9,528</u>	<u>\$ 204,731</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income	\$ (318)	\$ 1,484	\$ 1,166
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	1,662	-	1,662
Change in assets and liabilities			
Inventory	(2,231)	-	(2,231)
Accounts payable	<u>(483)</u>	<u>-</u>	<u>(483)</u>
Net cash provided by operating activities	<u>(1,370)</u>	<u>1,484</u>	<u>\$ 114</u>
Schedule of non-cash transactions:			
Donated commodities received from the U.S.			
Department of Agriculture	<u>\$ 35,038</u>	<u>\$ -</u>	<u>\$ 35,038</u>

The Notes to Financial Statements are an integral part of this statement.

CRITTENDEN COUNTY BOARD OF EDUCATION

STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2003

	<u>Activity Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>85,926</u>
TOTAL ASSETS	\$ <u><u>85,926</u></u>
LIABILITIES	
Due to student groups	\$ <u>-</u>
TOTAL LIABILITIES	<u>-</u>
NET ASSETS HELD IN TRUST	\$ <u><u>85,926</u></u>

The Notes to Financial Statements are an integral part of this statement.

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2003

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Crittenden County Board of Education (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Crittenden County School District (District). The Board receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, and the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Crittenden County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself, such as Band Boosters, Parent-Teachers Associations, etc.

The financial statements of the Board include those of separately administered organizations that are controlled by or are dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing Board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Crittenden County School District Finance Corporation: In a prior year, the Board formed the Crittenden County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board members of the Crittenden County Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationships between government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued
Year Ended June 30, 2003

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fund Financial Statements — Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on pages 43 through 44. This is a major fund of the District.
- C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by the Proprietary Fund).
 - a. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 - b. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 - c. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- D. Debt Service Funds – The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky statute.

II. Proprietary Fund Types (Enterprise Fund)

- A. The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued
Year Ended June 30, 2003

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

II. Proprietary Fund Types (Enterprise Fund), continued

- B. The FYRSC Day Care Fund is used to account for the operation of the after-school child care services.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency Funds)

- A. The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues — Exchange and Non-exchange Transactions — Revenue resulting from exchange transactions in which each party receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue — Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures — On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued
Year Ended June 30, 2003

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Property Taxes

Property Tax Revenues — Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2003, to finance the General Fund operations were \$.390 per \$100 valuation for real property and business personal property and \$.541 per \$100 valuation for motor vehicles.

The District levies a 3% gross utility receipts license tax for receipts derived from furnishing, within the county, telephone and telegraph communications services, cable television services, electric power, water, and natural, artificial and mixed gas.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Government Activities Estimated Lives</u>
Buildings and improvements	25 - 50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5 - 10 years
Audio-visual equipment	15 years
Food service equipment	10 - 12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued
Year Ended June 30, 2003

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School Districts past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

On government-wide financial statements, inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued
Year Ended June 30, 2003

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2003 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Investments

The permanent funds record investments at their quoted market value prices for purposes of the Statement of Net Assets. All realized gains and losses and changes in fair value are recorded in the Statement of Activities. Long-term investments are not recorded on the fund financial statements nor are unrealized gains and losses.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued
Year Ended June 30, 2003

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE B: CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For the fiscal year ended June 30, 2003 the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments".

GASB 34 creates new basic financial statements for reporting on the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the District's programs between business-type and governmental activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

Restatement of Fund Balance — The restatement for the transition from governmental fund balance to net assets of the governmental activities is presented below:

	General Fund	Special Revenue	Construction	Non- Major	Total
Fund balance, June 30, 2002	\$ 1,602,345	\$ -	\$ 2,991,213	\$ 19,754	\$ 4,613,312
Accrued interest payable	-	-	-	-	-
Sick leave accrued	-	-	-	-	-
	-	-	-	-	-
Fund balance, June 30, 2002 as restated	\$ 1,602,345	\$ -	\$ 2,991,213	\$ 19,754	4,613,312
GASB 34 Adjustments					
Capital assets, net of depreciation					9,408,054
Long-term debt					(9,404,300)
Accrued sick leave					(236,450)
Accrued interest					(79,087)
Governmental Net Assets, June 30, 2002					\$ 4,301,529

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued
Year Ended June 30, 2003

NOTE B: CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE, continued

The District reclassified one fund from agency funds to proprietary funds based upon fund classifications presented in GASB 34. The District also had a fixed asset inventory taken to comply with GASB 34. This inventory revealed the existence of proprietary fixed assets that have not previously been recorded on the books and more depreciation than had been previously recorded. Changes, as a result of the GASB 34 implementation, are as follows:

	Food Service	FYRSC Day Care	Total
Fund balance, June 30, 2002	\$ 222,886	\$ -	\$ 222,886
Net change in capital assets	(9,164)	-	(9,164)
Transferred from agency funds	<u>-</u>	<u>8,044</u>	<u>8,044</u>
Fund balance, June 30, 2002, as restated	<u>\$ 213,722</u>	<u>\$ 8,044</u>	<u>\$ 221,766</u>

NOTE C: ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE D: BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as lease obligations represents the Board's future obligations to make lease payments relating to the bonds issued by the Crittenden County School District Finance Corporation, aggregating \$12,744,831.

The original amount of each issue, the issue date and interest rates are summarized below:

1992	\$ 1,795,000	3.000% - 5.500%
1996	\$ 975,000	4.000% - 5.300%
1998	\$ 1,430,000	3.700% - 4.500%
1998	\$ 1,655,000	4.874% average
2000	\$ 795,000	5.375% average
2001	\$ 4,290,000	2.500% - 4.750%
2003	\$ 415,000	3.100%

On January 21, 2003, the Board issued \$415,000 in bonds, at an interest rate of 3.100%. Bond interest is due June 1 and December 1 of each year, beginning June 1, 2003. Bond principal is due June 1 of each year, beginning June 1, 2003 with the final payment due June 1, 2013. The purpose of the bond issue was to refund the July, 1992 issue, which had an outstanding balance of \$155,000 and the August, 1993 issue, which has an outstanding balance of \$230,000. Both issues were retired at the bond principal payment date for each issue.

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued
Year Ended June 30, 2003

NOTE D: BONDED DEBT AND LEASE OBLIGATIONS, continued

The Board, through the General Fund, the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) and the Facility Support Program Levy Fund (FSPK) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Crittenden County School District Finance Corporation to construct school facilities. The Board has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The Board has entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the Board and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the Board, including amounts to be paid by the Commission, at June 30, 2003 for debt service (principal and interest) are as follows:

Year Ended June 30,	Board Obligations		SFCC Obligations		Total
	Principal	Interest	Principal	Interest	
2004	\$ 276,480	\$ 294,062	\$ 228,520	\$ 101,459	\$ 900,521
2005	295,215	280,471	239,785	91,622	907,093
2006	319,333	264,424	140,667	81,035	805,459
2007	332,298	249,361	147,702	75,790	805,151
2008	343,856	233,561	151,144	70,132	798,693
2009	357,561	216,899	157,439	64,133	796,032
2010	385,275	199,480	164,725	57,691	807,171
2011	292,160	180,656	172,840	50,772	696,428
2012	230,638	166,852	114,362	45,102	556,954
2013	237,594	156,830	107,406	40,622	542,452
2014	250,007	146,414	89,993	36,266	522,680
2015	261,036	135,006	93,964	32,295	522,301
2016	276,834	123,026	98,166	28,094	526,120
2017	287,361	110,225	102,639	23,621	523,846
2018	302,604	96,660	107,396	18,863	525,523
2019	279,673	80,400	85,327	13,842	459,242
2020	290,688	67,386	89,312	9,857	457,243
2021	306,459	53,577	93,541	5,629	459,206
2022	320,472	39,039	74,528	1,733	435,772
2023	325,000	23,869	-	-	348,869
2024	340,000	8,075	-	-	348,075
	<u>\$ 6,310,544</u>	<u>\$ 3,126,273</u>	<u>\$ 2,459,456</u>	<u>\$ 848,558</u>	<u>\$ 12,744,831</u>

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued
Year Ended June 30, 2003

NOTE D: BONDED DEBT AND LEASE OBLIGATIONS, continued

Kentucky Interlocal School Transportation Association (KISTA)

In September, 1992, January, 1993, and December, 2001 the Board entered into capital lease agreements with the Kentucky Interlocal School Transportation Association (KISTA) for the lease of school buses. The original amount of the September, 1992 lease, which was for nine buses, was \$312,324. The original amount of the January, 1993 lease, which was for five buses, was \$196,540. The original amount of the December, 2001 lease, which was for two buses, was \$111,781.

The minimum future rental payments as of June 30, 2003 are as follows:

Year Ended June 30,	Principal	Interest	Total
2004	\$ 16,252	\$ 6,089	\$ 22,341
2005	15,717	5,450	21,167
2006	16,389	4,808	21,197
2007	17,037	4,119	21,156
2008	17,825	3,391	21,216
2009	18,541	2,618	21,159
2010	17,224	1,812	19,036
2011	16,875	1,043	17,918
2012	5,797	272	6,069
	<u>\$ 141,657</u>	<u>\$ 29,602</u>	<u>\$ 171,259</u>

NOTE E: CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the Board's cash and cash equivalents was \$2,251,895. The bank balance for cash and cash equivalents was \$2,724,900. Deposits were held in two financial institutions located in Crittenden County. Of the total cash balance, \$189,191 was covered by Federal depository insurance, with the remainder covered by a collateral agreement and collateral held by the pledging banks' trust departments in the Board's name.

Cash is shown in the financial statements as:

Government funds	\$ 1,961,238
Proprietary funds	204,731
Agency funds	<u>85,926</u>
	<u>\$ 2,251,895</u>

NOTE F: RETIREMENT PLANS

All the Board's eligible employees participate in the Kentucky Teacher's Retirement System (KTRS), a statewide multiple-employer public employee retirement system, covering all employees of local school Boards within the Commonwealth of Kentucky. KTRS is a cost sharing public employee retirement system with one exception, all risks and costs are not shared by the Board but are the liability of the Commonwealth of Kentucky. KTRS is funded through state and employee contributions and the Board has no legal obligation for paying benefits. As discussed below, the Board may be required, in certain situations, to make limited contributions on behalf of certain employees.

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued
Year Ended June 30, 2003

NOTE F: RETIREMENT PLANS, continued

The Commonwealth of Kentucky contributes 9.855% plus 1.89% of the employees' gross earnings except for those Board employees being paid from and participating in federally funded programs. Contributions by the employees are 9.855% of gross earnings and are withheld by the Board. Matching contributions are 12.305%. Such withholdings totaled \$478,403 during the year and were paid by the Board to the Commonwealth of Kentucky. The Board has no other liability under the plan. The Board's payroll subject to KTRS withholding was \$4,854,450.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS). Funding for the Plan is provided through payroll withholdings of 5% and a Board contribution of 6.34% of the employee's total compensation subject to the contribution. The Board's contribution requirement to CERS for the year ended June 30, 2003, was \$144,297, which consisted of \$80,674 from the Board and \$63,623 from employees. Payroll for the year ended June 30, 2003, subject to CERS was \$1,272,458. Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

In addition, KRS 161.555 requires that school districts employing members whose positions were established by the federal government to contribute an amount equal to the member's contribution. The Board paid matching contributions of \$62,144.

Additional information and historical trend information can be obtained from the separately issued Teacher Retirement System of Kentucky Comprehensive Annual Report.

NOTE G: DEFERRED COMPENSATION PLANS

The Board offers its employees a deferred compensation plans created in accordance with Internal Revenue Code Sections 401(k), 403(b) and 457 and traditional IRAs. The plans, available to all Board employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The Board funds all amounts of compensation deferred under the plan, at the direction of the covered employees, through commercial administrators.

NOTE H: CONTINGENCIES

The Board receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the Board for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Board's grant programs is predicated upon the grantors' satisfaction that the funds provided are being used as intended and the grantor's intent to continue their programs.

NOTE I: INSURANCE AND RELATED ACTIVITIES

The Board is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The Board has purchased certain policies that are retrospectively rated, which includes worker's compensation insurance.

NOTE J: ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, a certified employee with over 27 years of service or a classified employee with over 20 years of service will receive from the Board an amount equal to 30% of the value of accumulated sick leave.

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued
Year Ended June 30, 2003

NOTE K: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2003 is:

<u>Governmental Activities</u>	<u>Balance June 30, 2002</u>	<u>Additons</u>	<u>Deductions</u>	<u>Balance June 30, 2003</u>
Land	\$ 67,422	\$ 12,000	\$ -	\$ 79,422
Buildings and improvements	10,238,087	4,641,139	-	14,879,226
Technology equipment	1,174,466	40,990	-	1,215,456
Vehicles	1,487,974	23,492	-	1,511,466
Furniture, fixtures and equipment	275,616	54,305	-	329,921
Construction in progress	<u>1,463,166</u>	<u>-</u>	<u>(1,463,166)</u>	<u>-</u>
Totals, at historical cost	14,706,731	4,771,926	(1,463,166)	18,015,491
Less accumulated depreciation				
Buildings and improvements	3,335,311	267,572	-	3,602,883
Technology equipment	856,893	123,372	-	980,265
Vehicles	1,002,876	91,770	-	1,094,646
Furniture, fixtures and equipment	<u>103,597</u>	<u>22,321</u>	<u>-</u>	<u>125,918</u>
Total accumulated depreciation	<u>5,298,677</u>	<u>505,035</u>	<u>-</u>	<u>5,803,712</u>
Governmental Activities, Net Capital Assets	<u>\$ 9,408,054</u>	<u>\$ 4,266,891</u>	<u>\$ (1,463,166)</u>	<u>\$ 12,211,779</u>
<u>Business-Type Activities</u>				
Food service equipment	\$ 134,951	\$ -	\$ -	\$ 134,951
Technology equipment	<u>8,727</u>	<u>-</u>	<u>-</u>	<u>8,727</u>
Totals, at historical cost	143,678	-	-	143,678
Less accumulated depreciation				
Food service equipment	127,723	1,456	-	129,179
Technology equipment	<u>7,801</u>	<u>206</u>	<u>-</u>	<u>8,007</u>
Total accumulated depreciation	<u>135,524</u>	<u>1,662</u>	<u>-</u>	<u>137,186</u>
Business-Type Activities, Net Capital Assets	<u>\$ 8,154</u>	<u>\$ (1,662)</u>	<u>\$ -</u>	<u>\$ 6,492</u>

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued
Year Ended June 30, 2003

NOTE L: RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the Board participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school Boards and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association.

The Board pays an annual premium to each fund for coverage. Contributions to the Worker's Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a prorata basis.

The Board purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the Board continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE M: COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school Board at risk for a substantial loss (contingency).

NOTE N: DEFICIT OPERATING/FUND BALANCES

There are no funds of the Board that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance:

General Fund	\$	(260,322)
Capital Projects Funds		
FSPK Fund	\$	(15,886)
Construction Fund	\$	(2,991,213)
Expendable Trust Funds		
Middle School Activity Funds	\$	(126)

NOTE O: INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2003, interfund receivables and/or payables were:

	<u>Due To</u>	<u>Due From</u>	
Construction		General Fund	<u>\$ 91,844</u>

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued
Year Ended June 30, 2003

NOTE P: TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General Fund	Special Revenue	KETS Transfer	\$ 29,592
Operating	Capital Projects	Debt Service	Debt Service	126,838
Operating	Debt Service	General Fund	Debt Service	4,168
Operating	Capital Projects	Debt Service	Debt Service	349,861
Operating	General Fund	Capital Projects	Construction	92,519
Operating	General Fund	Debt Service	Debt Service	<u>104,243</u>
				<u>\$ 707,221</u>

NOTE Q: ON BEHALF PAYMENTS

The Commonwealth of Kentucky contributes funds on behalf of the Crittenden County Board of Education for medical insurance and pension contributions. The School Facilities Construction Commission contributes funds for the retirement of bonds and payment of interest on behalf of the Board. These amounts are reported as additional expenses and revenues in the district-wide statements. They are not included in the fund statements. Contributions made on behalf of the Board for the year ended June 30, 2003 were:

Commonwealth of Kentucky		
Insurance and related payments		\$ 594,380
Pension contributions		530,599
School Facilities Construction Commission		
Contributed for bond retirement		216,539
Contributed for interest payments		<u>113,385</u>
Total on behalf payments		<u>\$ 1,454,903</u>

ACCOMPANYING INFORMATION

CRITTENDEN COUNTY BOARD OF EDUCATION

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2003

	Technology Fund	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Taxes - current	-	-	-	-	-
Taxes - delinquent	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Intergovernmental - State	-	-	-	-	-
Intergovernmental - Indirect Federal	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Due from other funds	-	-	-	-	-
Interest receivable	-	-	-	-	-
Investments	-	-	-	-	-
Furniture and equipment, net	-	-	-	-	-
TOTAL ASSETS AND RESOURCES	\$ -	\$ -	\$ -	\$ -	\$ -
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related expenses	-	-	-	-	-
Current portion of accumulated sick leave	-	-	-	-	-
Deferred revenue	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-
FUND BALANCES					
Reserved for:					
Inventory and fixed assets	-	-	-	-	-
Encumbrances	-	-	-	-	-
Accrued sick leave	-	-	-	-	-
Unreserved:					
Undesignated, reported in:					
General fund	-	-	-	-	-
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
TOTAL FUND BALANCES	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -	\$ -	\$ -	\$ -

CRITTENDEN COUNTY BOARD OF EDUCATION

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2003

	<u>Technology Fund</u>	<u>FSPK Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES					
From local sources					
Taxes					
Property	\$ -	\$ 160,125	\$ -	\$ -	\$ 160,125
Motor vehicle	-	-	-	-	-
Utilities	-	-	-	-	-
Tuition and fees	-	-	-	-	-
Earnings on investments	-	-	-	-	-
Contributions	-	-	-	-	-
Other local revenues	-	-	-	-	-
Intergovernmental - intermediate	-	-	-	-	-
Intergovernmental - state	-	174,150	122,670	-	296,820
Intergovernmental - indirect federal	-	-	-	-	-
Intergovernmental - direct federal	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	-	334,275	122,670	-	456,945
EXPENDITURES					
Instruction	-	-	-	-	-
Support Services	-	-	-	-	-
Student	-	-	-	-	-
Instructions staff	-	-	-	-	-
Direct administrative	-	-	-	-	-
School administrative	-	-	-	-	-
Business	-	-	-	-	-
Plant operation and maintenance	-	-	-	-	-
Student transportation	-	-	-	-	-
Central office	-	-	-	-	-
Facilities and construction	-	-	-	-	-
Community service activities	-	-	-	-	-
Other	-	-	-	576,774	576,774
	<u>-</u>	<u>-</u>	<u>-</u>	<u>576,774</u>	<u>576,774</u>
TOTAL EXPENDITURES	-	-	-	576,774	576,774
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	-	334,275	122,670	(576,774)	(119,829)
Other Financing Sources (Uses)					
Proceeds from sale of bonds	-	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-	-
Realized gains and losses and changes in market value	-	-	-	-	-
Operating transfers in	-	-	-	580,942	580,942
Operating transfers out	-	(354,029)	(122,670)	(4,168)	(480,867)
	<u>-</u>	<u>(354,029)</u>	<u>(122,670)</u>	<u>576,774</u>	<u>100,075</u>
TOTAL OTHER FINANCING SOURCES (USES)	-	(354,029)	(122,670)	576,774	100,075
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	(19,754)	-	-	(19,754)
FUND BALANCE, JULY 1, 2002, AS ORIGINALLY STATED	-	19,754	-	-	19,754
PRIOR PERIOD ADJUSTMENT	-	-	-	-	-
FUND BALANCE, JUNE 30, 2003	\$ -	\$ -	\$ -	\$ -	\$ -

CRITTENDEN COUNTY BOARD OF EDUCATION

STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
EXPENDABLE TRUST FUNDS
COMBINED TOTALS, ALL FUNDS
Year Ended June 30, 2003

	Crittenden County High School	Crittenden County Middle School	Crittenden County Elementary School	Totals (Memorandum Only)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE, July 1, 2002	\$ 24,148	\$ 32,934	\$ 14,810	\$ 71,892
RECEIPTS	168,819	42,147	35,789	246,755
EXPENDITURES	<u>165,005</u>	<u>39,112</u>	<u>28,604</u>	<u>232,721</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	3,814	3,035	7,185	14,034
OTHER FINANCING SOURCES (USES)				
Operating transfers out	-	-	-	-
Operating transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, June 30, 2003	<u>\$ 27,962</u>	<u>\$ 35,969</u>	<u>\$ 21,995</u>	<u>\$ 85,926</u>

CRITTENDEN COUNTY BOARD OF EDUCATION

STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE
EXPENDABLE TRUST FUNDS
CRITTENDEN COUNTY HIGH SCHOOL ACTIVITY FUNDS
Year Ended June 30, 2003

Name of Fund	Cash Balance July 1, 2002	Receipts	Disburse- ments	Cash Balance June 30, 2003	Accounts Receivable	Accounts Payable	Fund Balance
Academic Team	\$ 24	\$ 26	\$ 50	\$ -	\$ -	\$ -	\$ -
Annual	12,847	18,939	24,593	7,193	-	-	7,193
Athletic Department	81	3,323	3,317	87	-	-	87
Baseball	36	1,768	1,216	588	-	-	588
Beta Club	319	595	510	404	-	-	404
Boys' Basketball	2,739	15,960	17,337	1,362	-	-	1,362
Cheerleaders	425	10,088	10,086	427	-	-	427
Cross Country / Track	40	25	44	21	-	-	21
Chess	22	-	-	22	-	-	22
Donation from Joey Warner	-	124	-	124	-	-	124
Faculty Club	179	710	621	268	-	-	268
Fellowship of Christian Athletes	1,051	910	739	1,222	-	-	1,222
Football	633	38,888	36,666	2,855	-	-	2,855
Future Business Leaders	111	192	210	93	-	-	93
Future Educators America	-	456	215	241	-	-	241
Future Farmers of America	335	29,676	26,795	3,216	-	-	3,216
Family Career Community Leader	354	2,090	2,350	94	-	-	94
General Fund	381	13,342	11,732	1,991	-	-	1,991
Girls' Basketball	292	11,140	9,212	2,220	-	-	2,220
Golf	31	50	50	31	-	-	31
Grand March	-	746	137	609	-	-	609
Junior Class Trip	-	953	953	-	-	-	-
Library Bookstore	763	373	822	314	-	-	314
Office Operations	-	-	-	-	-	-	-
Prom	330	4,214	4,207	337	-	-	337
S.A.D.D.	541	220	257	504	-	-	504
School Store	40	-	26	14	-	-	14
School Jacket	-	832	832	-	-	-	-
Security/Parking	183	735	-	918	-	-	918
Senior Class Trip	-	5,229	5,222	7	-	-	7
Softball	212	50	50	212	-	-	212
Soccer	100	1,164	1,194	70	-	-	70
Speech	-	2,098	2,094	4	-	-	4
Student Technology Leadership	215	164	202	177	-	-	177
Student Council	1,121	1,601	1,795	927	-	-	927
Technology Students Association	7	2,138	1,471	674	-	-	674
Young Democrats	160	-	-	160	-	-	160
Young Republicans	576	-	-	576	-	-	576
TOTALS	\$ 24,148	\$ 168,819	\$ 165,005	\$ 27,962	\$ -	\$ -	\$ 27,962

CRITTENDEN COUNTY BOARD OF EDUCATION

STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE
EXPENDABLE TRUST FUNDS
CRITTENDEN COUNTY MIDDLE SCHOOL ACTIVITY FUNDS
Year Ended June 30, 2003

Name of Fund	Cash Balance July 1, 2002	Receipts	Disburse- ments	Cash Balance June 30, 2003	Accounts Receivable	Accounts Payable	Fund Balance
Library	\$ 1,354	\$ 2,653	\$ 2,842	\$ 1,165	\$ -	\$ -	\$ 1,165
Fee Replacement	515	-	-	515	-	-	515
Beta Club	974	442	1,542	(126)	-	-	(126)
Chess	-	-	-	-	-	-	-
Speech Team	55	-	-	55	-	-	55
Student Council	370	495	514	351	-	-	351
Teachers' Fund	24	397	289	132	-	-	132
Just Say No	605	-	-	605	-	-	605
Service Learning	1,500	-	506	994	-	-	994
Cash on Hand	-	-	-	-	-	-	-
General Fund	17,920	21,138	21,225	17,833	-	-	17,833
Football	2,432	2,405	2,487	2,350	-	-	2,350
Girls' Basketball	2,251	4,751	4,070	2,932	-	-	2,932
Boys' Basketball	3,469	2,609	1,819	4,259	-	-	4,259
Yearbook	1,438	5,609	2,199	4,848	-	-	4,848
Cheerleaders	27	1,648	1,619	56	-	-	56
TOTALS	\$ 32,934	\$ 42,147	\$ 39,112	\$ 35,969	\$ -	\$ -	\$ 35,969

CRITTENDEN COUNTY BOARD OF EDUCATION

STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE
EXPENDABLE TRUST FUNDS
CRITTENDEN COUNTY ELEMENTARY SCHOOL ACTIVITY FUNDS
Year Ended June 30, 2003

Name of Fund	Cash Balance July 1, 2002	Receipts	Disburse- ments	Cash Balance June 30, 2003	Accounts Receivable	Accounts Payable	Fund Balance
Assembly	\$ 672	\$ 2,664	\$ 530	\$ 2,806	\$ -	\$ -	\$ 2,806
Beverly/Cook Fund	4	520	354	170	-	-	170
Crabtree/Brantley Fund	234	1,009	457	786	-	-	786
Caraway/Poat Fund	79	495	-	574	-	-	574
Dally/Croft/Scott Fund	150	546	66	630	-	-	630
Environmental	36	-	-	36	-	-	36
Flower/Social Fund	25	712	426	311	-	-	311
Gardner Fund	76	322	187	211	-	-	211
General Fund	6,903	11,388	7,624	10,667	-	-	10,667
Hunt Fund	16	329	283	62	-	-	62
Holloman Fund	267	559	643	183	-	-	183
Riley/L. Holloman Fund	124	665	611	178	-	-	178
Hill/White Fund	235	450	288	397	-	-	397
Indigent Fund	504	-	-	504	-	-	504
Kirby/Gilkey Fund	262	487	227	522	-	-	522
Library/Merrick Fund	2,057	6,197	7,298	956	-	-	956
Deboe Fund	510	385	584	311	-	-	311
Memorial Fund	570	-	338	232	-	-	232
Head Fund	148	380	482	46	-	-	46
Teachers' Lounge	510	908	715	703	-	-	703
Vinson Fund	215	397	482	130	-	-	130
Wright/Ellis Fund	349	746	606	489	-	-	489
Woodall Fund	360	323	620	63	-	-	63
Watson Fund	53	324	278	99	-	-	99
Yearbook	451	5,983	5,505	929	-	-	929
TOTALS	<u>\$ 14,810</u>	<u>\$ 35,789</u>	<u>\$ 28,604</u>	<u>\$ 21,995</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,995</u>

CRITTENDEN COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2003

Federal Grantor/Pass-Through Grantor/Program or Cluster	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Award	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION				
Passed through the Kentucky Department of Education				
Title I, FY 2002	84.010	4500-3103	329,883	46,136
Title I, FY 2003	84.010	4500-3103	397,354	344,549
Migrant Program, FY 2003	84.011	4500-3113	49,680	49,680
Title IC, Carl Perkins Carryover	84.048	4500-3482A	433	433
Vocational Education, Basic, FY 2002	84.048	4500-3482	19,035	238
Vocational Education, Basic, FY 2003	84.048	4500-3483	21,595	20,620
Special Education, Preschool, FY 2002	84.027	4500-3372	191,197	213
Special Education, Preschool, FY 2003	84.027	4500-3373	220,743	220,743
Title V, Innovative	84.173	4500-3343	8,669	8,669
Special Education, Preschool	84.173	4500-3433	16,461	16,461
Title IV, Safe & Drug Free Schools, FY 2002	84.186	4500-4062	9,276	3,704
Title IV, Safe & Drug Free Schools, FY 2003	84.186	4500-4063	11,469	11,469
Even Start Program, FY 2001	84.213	4500-3232	92,500	14,539
Even Start Program, FY 2002	84.213	4500-3233	100,000	71,826
Title II, FY 2002	84.281	4500-4042	10,287	1,218
Title II, FY 2003	84.281	4500-4042C	4,470	4,470
Title VI Innovative, FY 2002	84.298	4500-3312	9,202	61
Title II-D, Education Technology	84.318	4500-4253	10,736	2,319
Technology Literacy Challenge, FY 2001	84.318	4500-3851	14,245	3,631
Class Size Reduction, FY 2002	84.340	4500-3882	72,144	188
Rural Education, Title VI	84.358	4500-3503	28,115	15,560
Improving Teacher Quality	84.367	4500-4013	<u>109,467</u>	<u>68,869</u>
TOTAL THROUGH THE KENTUCKY DEPARTMENT OF EDUCATION			1,726,961	905,596
U. S. DEPARTMENT OF AGRICULTURE				
Commodities	10.550	Fund 51	\$ 35,038	\$ 35,038
School Breakfast	10.553	Fund 51	54,052	54,052
School Lunch Program	10.555	Fund 51	186,333	186,333
School Lunch Program	10.555	Fund 51	8,341	8,341
Summer Feeding Program	10.559	Fund 51	5,206	5,206
Summer Sponsor	10.599	Fund 51	<u>536</u>	<u>536</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE			<u>\$ 289,506</u>	<u>\$ 289,506</u>
U. S. DEPARTMENT OF LABOR				
Passed through the Western Kentucky Private Industry Council				
Workforce Investment Act, FY 2003	17.255	4500-5883	<u>\$ 21,230</u>	<u>\$ 21,230</u>
TOTAL U. S. DEPARTMENT OF LABOR			<u>\$ 21,230</u>	<u>\$ 21,230</u>
			<u>\$ 2,037,697</u>	<u>\$ 1,216,332</u>

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2003

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Crittenden County Board of Education and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CRITTENDEN COUNTY BOARD OF EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2003

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weaknesses identified? _____ yes X no

Reportable conditions identified that are not considered to be material weaknesses _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weaknesses identified? _____ yes X no

Reportable conditions identified that are not considered to be that are not considered to be material weaknesses _____ yes X

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported required to be reported in accordance with section 510(a) of Circular A-133 _____ yes X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I
84.027 Cluster	Special Education
_____	_____
_____	_____
_____	_____
_____	_____

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____ yes X no

Section II -- Financial Statement Findings

There are no matters to be reported.

Section III -- Federal Award Findings and Questioned Costs

There are no matters to be reported.

CRITTENDEN COUNTY BOARD OF EDUCATION

SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2003

There were no findings in the prior year.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Kentucky State Committee For School District Audits
Members of the Board of Education
Crittenden County Board of Education
Marion, Kentucky

I have audited the financial statements of the Crittenden County Board of Education as of and for the year ended June 30, 2003, and have issued my report thereon dated October 15, 2003. I conducted my audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and state audit requirements.

Compliance

As part of obtaining reasonable assurance about whether the Crittenden County Board of Education's basic financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. In addition, the results of my tests disclosed no instances of noncompliance with specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Crittenden County Board of Education's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Kentucky State Committee for School District Audits
Members of the Board of Education
Crittenden County Board of Education
October 15, 2003
Page 2

This report is intended solely for the information of management, others within the organization, the Kentucky Department of Education and federal awarding agencies and pass-through entities and should not be used by anyone other than these specified parties.

October 15, 2003
Paducah, Kentucky

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Kentucky State Committee For School District Audits
Members of the Board of Education
Crittenden County Board of Education
Marion, Kentucky

Compliance

I have audited the compliance of the Crittenden County Board of Education with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The Crittenden County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Crittenden County Board of Education's management. My responsibility is to express an opinion on the Board's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Crittenden County Board of Education's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Crittenden County Board of Education's compliance with those requirements.

In my opinion, the Crittenden County Board of Education complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of Crittenden County Board of Education is responsible for establishing and maintaining effective internal controls over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Crittenden County Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Kentucky State Committee For School District Audits
Members of the Board of Education
Crittenden County Board of Education
October 15, 2003
Page 2

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information of management, others within the organization, the Kentucky Department of Education and federal awarding agencies and pass-through entities and should not be used by anyone other than these specified parties.

Paducah, Kentucky
October 15, 2003

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October 15, 2003

To the Members of the Board of Education
Crittenden County Board of Education
Marion, Kentucky

I have examined the financial statements of Crittenden County Board of Education for the year ended June 30, 2003 and have issued my report thereon dated October 15, 2003. As part of my examination, I made a study and evaluation of the Crittenden County Board of Education's system of internal accounting control to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of my study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Crittenden County Board of Education's financial statements. My study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the Crittenden County Board of Education is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the system to dispatch its duties.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the Crittenden County Board of Education taken as a whole. We noted no matters involving internal control over financial reporting and its operation that I considered to be material weaknesses.

However, during my audit, I became aware of some matters that are opportunities for strengthening internal controls and operating efficiency.

Fixed Asset Inventory

The Board, as a part of implementing GASB 34, had an appraisal and inventory performed on the capital assets owned by the Board. Succeeding years' audit will require an inventory observation and testing of those assets. That observation and testing can be performed prior to the fiscal year end.

I recommend that the Board consider having the audit firm observe and test the capital assets prior to year-end, perhaps in April or May. By doing so, efficiency will be gained in performing other required audit procedures.

To the Members of the Board of Education
Crittenden County Board of Education
October 15, 2003
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Prior Year's Recommendations

Implementation of GASB 34

The District has worked closely with the Kentucky Department of Education and others in preparation for the implementation of GASB 34. GASB 34 has been implemented for the year ended June 30, 2003.

I will review the status of these comments during my next audit engagement. I have already discussed these comments and suggestions with various Board personnel, and I will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Yours very truly,

E. Dennis Driver
Certified Public Accountant